

Highlands Bankshares, Inc.
Quarterly Financial Results
(Unaudited)
As of September 30, 2015

Highlands Bankshares, Inc

(Unaudited)

September 30, 2015

Highlands Bankshares, Inc. (HBSI) is a registered bank holding company incorporated under the laws of West Virginia. It is the parent company of Grant County Bank, Capon Valley Bank, and HBI Life Insurance Company. Highlands Bankshares, Inc. operates community banking in West Virginia and Virginia from 12 locations.

The accounting and reporting policies of Highlands Bankshares, Inc. and its subsidiaries (collectively, the Company) conform to accounting principles generally accepted in the United States of America. The consolidated financial statements included herein are for Highlands Bankshares, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying interim consolidated financial statements have been prepared under the presumption that users of the interim consolidated financial information have either read or have access to the audited consolidated financial statements of Highlands Bankshares, Inc. and subsidiaries for the year ended December 31, 2014.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are based on information available to management at the time the estimates are made.

The unaudited consolidated financial statements as of September 30, 2015 include, in the opinion of management, all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the financial results for the respective interim periods and are not necessarily indicative of results of operations to be expected for the entire fiscal year.

The Company’s critical accounting policies are unchanged since December 31, 2014.

PART I.

Item 1. Financial Statements

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands of Dollars, Except Per Share Data)

	Nine Months Ended September 30,	
	2015 (unaudited)	2014 (unaudited)
Interest Income		
Interest and fees on loans	$ 12,698	$ 12,810
Interest on federal funds sold	13	17
Interest on deposits in other banks	61	47
Interest and dividends on securities	534	461
Total Interest Income	13,306	13,335
Interest Expense		
Interest on deposits	1,275	1,443
Interest on borrowed money	82	101
Total Interest Expense	1,357	1,544
Net Interest Income	11,949	11,791
Provision for Loan Losses	(91)	14
Net Interest Income After Provision for Loan Losses	12,040	11,777
Non-interest Income		
Service charges	819	897
Life insurance investment income	199	195
Gains on security transactions	2	24
Other non-interest income	621	588
Total Non-interest Income	1,641	1,704
Non-interest Expense		
Salaries and employee benefits	5,910	5,476
Occupancy and equipment expense	979	1,056
Data processing expense	1,074	997
Directors fees	252	248
Legal and professional fees	292	353
Office supplies, postage and freight expense	236	226
FDIC premiums	239	295
Loan and foreclosed asset expense	207	270
Losses on sale of foreclosed property, net	42	55
Appraisal adjustments of other real estate owned	61	207
Other non-interest expense	840	793
Total Non-interest Expense	10,132	9,976
Income Before Provision For Income Taxes	3,549	3,505
Provision for Income Taxes	1,172	1,176
Net Income	$ 2,377	$ 2,329
Per Share Data		
Net Income	$ 1.78	$ 1.74
Cash Dividends	$ 0.75	$ 0.49
Weighted Average Common Shares Outstanding	1,336,873	1,336,873

The accompanying notes are an integral part of these financial statements.

HIGHLANDS BANKSHARES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	September 30, 2015 (unaudited)	December 31, 2014 (audited)
ASSETS		
Cash and due from banks	$ 7,389	$ 10,979
Interest bearing deposits in banks	7,765	6,534
Federal funds sold	4,056	804
Investment securities available for sale, at fair value	40,268	39,610
Restricted investments, at cost	992	711
Loans	308,625	304,474
Allowance for loan losses	(3,711)	(4,510)
Bank premises and equipment, net of accumulated depreciation	8,519	8,535
Interest receivable	1,283	1,345
Investment in life insurance contracts	8,298	8,099
Foreclosed assets, net of valuation allowance	4,415	4,946
Goodwill	1,534	1,534
Other intangible assets, net of accumulated amortization	18	146
Other assets	4,538	4,886
Total Assets	$ 393,989	$ 388,093
LIABILITIES		
Deposits		
Non-interest bearing deposits	$ 72,254	$ 71,570
Interest bearing transaction and savings accounts	97,519	97,032
Time deposits over $100,000	55,676	54,963
All other time deposits	100,977	105,668
Total Deposits	326,426	329,233
Long term debt instruments	3,844	3,920
Other short term borrowing	7,000	0
Accrued expenses and other liabilities	8,537	8,166
Total Liabilities	$ 345,807	$ 341,319
STOCKHOLDERS' EQUITY		
Common Stock, $5 par value, 3,000,000 shares authorized, 1,436,874 shares issued, 1,336,873 shares outstanding	$ 7,184	$ 7,184
Surplus	1,662	1,662
Treasury stock (100,001 shares, at cost)	(3,372)	(3,372)
Retained earnings	45,683	44,309
Other accumulated comprehensive loss	(2,975)	(3,009)
Total Stockholders' Equity	$ 48,182	$ 46,774
Total Liabilities and Stockholders' Equity	$ 393,989	$ 388,093

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